

# Differences in Accounting for a Corporation



- 1.) Different Accounts are used to record owner's equity.
  - 2.) Different procedures are used to distribute income to owners.
  - 3.) Must calculate and pay federal income tax.
- Proprietorship and Partnership net income is part of the owner's personal income

# Vocabulary

Stockholder

Retained Earnings

Dividends

Board of Directors

Declaring a Dividend



# STOCKHOLDERS' EQUITY ACCOUNTS USED BY A CORPORATION

## (3000) STOCKHOLDERS' EQUITY

3105	Capital Stock
3110	Retained Earnings
3115	Dividends
3120	Income Summary

# DECLARING A DIVIDEND

December 15. Winning Edge's board of directors declared a quarterly dividend of \$1.00 per share; capital stock issued is 10,000 shares; total dividend, \$10,000.00. Date of payment is January 15. Memorandum No. 189.

Accounts Affected	Classification	Change	Entered
Dividends	Stockholder's Equity		Debit side
Dividends Payable	Liability	Increased	Credit side

## Dividends

normal balance	
3/15 Decl.	10,000.00
6/15 Decl.	10,000.00
9/15 Decl.	10,000.00
12/15 Decl.	10,000.00



Increased

## Dividends Payable

normal balance		
4/15 Paid	10,000.00	3/15 Decl. 10,000.00
7/15 Paid	10,000.00	6/15 Decl. 10,000.00
10/15 Paid	10,000.00	9/15 Decl. 10,000.00
		12/15 Decl. 10,000.00



**Number of Shares x Quarterly Dividend = TQD**

# PAYING A DIVIDEND

GENERAL JOURNAL

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	DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT						
1	20- Dec.	15	Dividends	M189		10	0	0	0	00					1	
2			Dividends Payable								10	0	0	0	00	2

1. Debit Dividends

2. Credit Dividends Payable

# PAYING A DIVIDEND

**January 15. Paid cash for quarterly dividend declared December 15, \$10,000.00. Check No. 879.**

## Accounts Affected

**Dividends Payable**

**Cash**

## Classification

Liability

Asset

## Change

Decreased

Decreased

## Entered

Debit side

Credit side

### Dividends Payable

normal balance

4/15 Paid	10,000.00
7/15 Paid	10,000.00
10/15 Paid	10,000.00
1/15 Paid	10,000.00



3/15 Decl.	10,000.00
6/15 Decl.	10,000.00
9/15 Decl.	10,000.00
12/15 Decl.	10,000.00

### Cash

normal balance

1/15 Paid	10,000.00
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# Journalizing Dividends Payable

CASH PAYMENTS JOURNAL													PAGE 37
				1		2		3		4		5	
	DATE	ACCOUNT TITLE	CK. NO.	POST. REF.	GENERAL			ACCOUNTS PAYABLE DEBIT		PURCHASES DISCOUNT CREDIT		CASH CREDIT	
					DEBIT	CREDIT							
1	Jan. 15	Dividends Payable	879		10 000 00							10 000 00	1
2													2

1. Debit Dividends Payable

2. Credit Cash